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SUBJECT: Summary of High-Level Meetings during CODEL Boehner

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11. (SBU) Summary: On August 9 and 10, Members of the Congressional Delegation headed by House Minority Leader John Boehner of Ohio met with Prime Minister S. Bayar and President Ts. Elbegdorj during the course their visit to Mongolia to review the impact of the current economic crisis and issues related to energy security in the Central and Northeast Asian regions. The discussion with the PM concentrated on trade and commercial issues, while that with the President focused on advances in Mongolia's democracy. The delegation also visited nomadic herders who have received support from a USAID sponsored project and attended dinner with leaders of the U.S. business community in Mongolia. End Summary.

12. (SBU) On August 9 and 10, Members of the Congressional Delegation headed by House Minority Leader John Boehner of Ohio visited Mongolia to review the impacts of the current economic crises and issues related to energy security in the Central and Northeast Asian regions. Rep. Boehner was joined by Representatives Dan Boren of Oklahoma, Jo Bonner of Alabama, Dave Camp of Michigan, Tom Latham of Iowa, and Greg Walden of Oregon.

CODEL Sees Rural Economy

13. (SBU) CODEL Boehner's first stop was to review the economic challenges faced by a traditional herder family located about 30 miles southwest of the capital Ulaanbaatar and to discuss ways that USAID assistance had aided the family's livestock enterprise. The family of eight shared how the current economic crisis had affected their nomadic lifestyle including cattle, sheep, and goat herding, milking horses, and cheese production. The family also shared how business skills training provided by CHF International and funded by USAID had improved its standard of living. The delegation also reviewed traditional handicrafts and spoke to the craftsman about their economic challenges and how USAID-funded assistance is benefiting them.

CODEL Meets American Business People

14. (SBU) Upon return to Ulaanbaatar, the CODEL joined leading American business people (including representatives from Peabody Energy and Ivanhoe Mines) and one Mongolian who owns a political survey and polling business for dinner at Khan Bank, Mongolia's

leading financial institution. The subject on everyone's mind was the likelihood of Parliament accepting the latest terms for the world class Oyu Tolgoi (OT) copper-gold mine investment agreement, recently agreed upon between the Bayar government and Rio Tinto and Ivanhoe Mines of Canada and now under parliamentary debate. All the business people agreed that passing the agreement would be seen as unambiguous signal that Mongolia was ready to do business transparently and according to the rule of law with its western "third neighbor" countries. Generally, the group was positive about chances for passage in the upcoming weeks, but expressed concern that failure to agree to an OT deal (or to at least vote on the package) would send a message that Mongolia was not ready to join the international economy and not serious about doing business with world-class Western firms. (NOTE: Post's DATT invited members of Mongolia's National Security Council, Mongolian military counterparts, and personnel from the Mongolian National Emergency Management Agency to an exchange views on security issues affecting Mongolia with CODEL Boehner staffers and military support staff. End Note.)

CODEL Meets Senior Mongolian Leaders

15. (SBU) CODEL Boehner then participated in back-to-back meetings with Prime Minister S. Bayar and President Ts. Elbegdorj (see para 15 for a list of attendees at both meetings). The meeting with Bayar stuck to economic issues, with a focus on mineral wealth as both the key to national development and the focal point of Mongolia's relations with its neighbors and other partners. Bayar noted that it was essential for deals to be struck on OT, the coal mine at Tavan Tolgoi (TT), and on uranium projects as soon as possible, but acknowledged that internal political disputes needed to be handled first, especially on the OT deal. He hoped Parliament would approve the OT deal during a special session to be called in

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the latter half of August.

16. (SBU) Bayar also noted that the resource sector faced a major transportation problem due to inadequate infrastructure and to Mongolia's landlocked status between China and Russia. He specifically referred to the recent troubles with the cancelled MCC rail program. Mongolia had proposed the rail program to deal with critical shipping deficiencies but Russian intransigence had wrecked the program. He hoped that attempts to reprogram the USD 188 million in September would be successful.

17. (SBU) Bayar also praised the high level of U.S. Mongolian bi-lateral relations, noting the many senior-level visits, delegations, and events that have occurred over the last year. He gave special attention to improving the commercial dimensions of the relationship, noting that Peabody Energy's participation at TT would clearly enhance U.S.-Mongolian ties. In addition, he repeated the call for a Free Trade Agreement; but he recognized the difficulty in reaching such an agreement in the near term, accepting that the Transparency Agreement (currently being worked on between USTR and the Mongolian Ministry of Foreign Affairs and Trade) offered the best long-run opportunity to reach an FTA.

18. (SBU) Representative Boehner and company recognized the importance and depth of relations with Mongolia, attributing much of the high-level U.S. attention to Mongolia's peacekeeping contributions in Iraq and Afghanistan, shared democratic values, and potential investment and trade ties. After hearing Bayar's extended analyses of OT, coal, and uranium projects, the CODEL agreed that Mongolia's mineral resources were key to its development, acknowledged that such issues were politically difficult to manage, and averred that American firms would be eager to bring their dedication to transparency, rule of law, and world-class practices to Mongolia.

19. (SBU) The key themes of the delegation's meeting with President Elbegdorj were the positive tone and constructive nature of the bilateral relationship, the state of Mongolian democracy, mining laws and Oyu Tolgoi, and development challenges Mongolia faces.

¶10. (SBU) Elbegdorj said that Mongolia greatly values its relationship with the United States and appreciates the support the USG has offered since the beginning of Mongolia's democratic opening. He expressed particular thanks for Senate Resolution 192 on the U.S.-Mongolia relationship passed in June, and for ongoing efforts to reprogram funds for the Millennium Challenge Account in Mongolia. Elbegdorj said the GOM supports U.S. strategy in Afghanistan and Pakistan.

¶11. (SBU) In response to a question from Rep. Boehner about the state of democracy in Mongolia, Elbegdorj stated that Mongolians are proud that the transition from the socialist area was peaceful. He also noted that Mongolia has undertaken simultaneous economic and political reforms, breaking what some see as the standard regional progression of economic liberalization followed by political reform. Elbegdorj said Mongolia may be small, but it serves as a model for others in the region, adding that eighty percent of Mongolia's GDP now derives from private sector activity.

¶12. (SBU) In response to a question from Rep. Bonner, Elbegdorj said Mongolia's future lies in educating its young population, of which educational exchange abroad must be a key element. He said Mongolia must pay careful attention to desertification, deforestation, and pollution so that the current generation leaves a beautiful country for the next.

¶13. (SBU) Rep. Walden asked about the state of the mining law. The president explained that the Mongolian MPs and the public do not want to make a mistake and have therefore proceeded cautiously. He said the opinions of all must be weighed carefully and that resource nationalism was now a factor with which Mongolia must reckon. Elbegdorj described the process of drafting the law as learning by doing.

¶14. (SBU) In response to a question from Rep. Boren about opportunities in rural areas, Elbegdorj said he had seen a reduction in the numbers of those moving to urban areas, but that this was due largely to unemployment, crime, and pollution in urban centers resulting from the absorption of many rural migrants in recent

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years. Elbegdorj suggested that if Mongolia can raise its median GDP from \$2,000 to \$5,000 per year, then the rural-to-urban and urban-to-abroad migration flows will be largely eliminated. He closed the meeting by reiterating his gratitude for U.S. support of Mongolia's democratic transition.

¶15. (SBU) List of Attendees at High-Level Meetings:

--CODEL Boehner Meeting with Prime Minister S. Bayar

GOM:

Prime Minister Bayar

MP Saikhanbileg (DP Caucus Leader)

MP Sukhbaatar (MPRP)

Mr. Och, PM's Foreign Policy Advisor

Mr. Mounkhou, Acting Director of the Department for Middle East, Americas, and African Affairs (MFAT)

Mr. Anand, U.S. Desk Officer (MFAT)

Ms. Ninjamts, Head of PM's Press Office

USG:

Ambassador Minton

Representative John Boehner

Representative Dan Boren

Representative Jo Bonner

Representative Dave Camp

Representative Tom Latham

Representative Greg Walden

Senior Commercial Specialist Richmond

Staff Member Stewart

--CODEL Boehner Meeting with President Ts. Elbegdorj

GOM:

President Elbegdorj
MP Saikhanbileg (DP Caucus Leader)
Foreign Policy Advisor Sukhbaatar
Middle East, Americas, and African Affairs Department Acting
Director Mr. Mounkhou (MFAT)
U.S. Desk Officer Mr. Anand (MFAT)
One unnamed assistant

USG:
Ambassador Minton
Representative John Boehner
Representative Dan Boren
Representative Jo Bonner
Representative Dave Camp
Representative Tom Latham
Representative Greg Walden
Political Officer Covington
Staff Member Stewart

MINTON